LEGISLATIVE AUDITOR
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URBAN RESTORATION ENHANCEMENT

CORPORATION

BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/16/08

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INDEPENDENT AUDITOR'S REPORT

November 1, 2007

To the Board of Directors Urban Restoration Enhancement Corporation Baton Rouge, Louisiana

I have audited the accompanying statements of financial position of Urban Restoration Enhancement Corporation (a non-profit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Urban Restoration Enhancement Corporation's management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provided a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urban Restoration Enhancement Corporation as of June 30, 2007, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with <u>Government Auditing Standards</u>, I have also issued a report dated November 1, 2007, on my consideration of Urban Restoration Enhancement Corporation's internal control over financial reporting and on my tests of its compliance with laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Governmental Auditing Standards</u> and should be considered in assessing the results of my audit.

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URBAN RESTORATION ENHANCEMENT CORPORATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2007

(With Comparative Totals for 2006)

		NE 30,
	<u>2007</u>	<u> 2006</u>
ASSETS Cash and Cash Equivalents	\$136,497	\$235,413
Grants Receivable Rent Receivable Notes Receivable	59,296 10,362 1,100	55,519 -0- 1,100
Property Plant & Equipment Deposits	2,425,294	2,461,630
TOTAL ASSETS	2,632,849	2,753,962
LIABILITIES		
Notes Payable Accounts Payable	\$1,879,139	\$1,947,428
Accrued Vacations Payable	14,155 4,150	15,650 1,281
Security Deposits	15,536	14,010
TOTAL LIABILITIES	1,912,980	1,978,369
NET ASSETS Invested in Property Plant & Equipment	2,425,294	2,461,630
Unrestricted	(1,705,425)	(1,686,037)
TOTAL NET ASSETS	719,869	775,593
TOTAL LIABILITIES & NET ASSETS	2,632,849	2,653,962

URBAN RESTORATION ENHANCEMENT CORPORATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

(With Comparative Totals for 2006)

	YEAR EN 2007	DED JUNE 30, 2006
REVENUE AND OTHER SUPPORT:		
Donations	\$21,443	\$39,974
Program Service Fees	698,500	883,833
Rent Revenue	533,206	
	-	443,484
Special Events	41,737	8,693
Miscellaneous Income	16,871	20,574
Interest Income	267	2,716
In-Kind	78,248	82,646
TOTAL REVENUE AND OTHER SUPPORT	1,390,272	1,481,920
EXPENSES:		
PROGRAM SERVICES		
CHDO	-0-	20,586
——————————————————————————————————————	_	-0-
Community Based Tutorial	25,441	
First Time Home Buyers	3,431	32,559
Fair Housing	18,016	-0-
HKDR Relief Fund	3,543	55,353
Freedom School	89,935	-0-
Giving Hearts	22,713	-0-
Administrative	241,655	250,503
Grandparents	107,926	-0-
HOPWA/HAART	-0-	19,031
LHCEDC		
	24,294	-0-
LA Family Recovery	- 0 -	84,632
Micro Enterprises	-0-	2,434
NBR 70805	190,115	133,388
Saturday Academy	148,212	162,831
SEEDCO	24,434	~0-
Security Dads	5,000	5,000
Urban Meadows	361,624	
Villa Caprice		338,273
	133,529	112,666
All Others	46,128	64,539
TOTAL EXPENSES	1,445,996	1,281,795
CHANGES IN NET ASSETS	(55,724)	200,125
NET ASSETS AT BEGINNING OF YEAR	775,593	575,468
NET ASSETS AT END OF YEAR	719,869	775,593

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION STATEMENT OF FUNCTIONAL EXPENSES June 30, 2007

	COMM		FREE-											
	BASED	FAIR	DOM	į	GIVING	GRAND-		NBR R	SATURDAY		URBAN	URBAN	ALL	į
	I O LO KIALHOUSING SCHOOL	POOSING	SCHOOL	AC M	HEARTS	PARENIS	LHCEDC	70805	ACADEMY	SEEDCO	MEADOW	VILLA	OTHERS	TOTAL
Salaries	\$0	8	\$7,675	\$70,249	%	\$39,397	\$4,000	\$64,291	\$7,628	\$17,500	\$121,871	\$39,002	\$5,869	\$377,482
Employee Benefits	0	0	0	13,003	0	3,528	0	871	0	0	8,047	2,187	0	27,636
Payroll Taxes	0	0	892	6,219	0	6,740	328	6,090	1,422	1,504	10,938	3,792	0	37,925
Professional Fees	12,641	3,271	32,195	17,185	4,734	31,375	13,258	34,722	64,361	0	10,914	7,258	17,000	248,914
Repairs	0	0	0	9,178	0	300	0	914	0	001	9,528	3,089	0	23,109
Supplies	831	1,343	15,110	9,204	3,918	4,836	747	5,430	7,552	489	15,872	5,041	1,716	72,089
Telecommunications	٥	0	0	7,330	0	2,312	250	1,092	0	639	682	1,282	0	13,587
Postage & Delivery	0	220	206	6,000	214	001	330	2,265	52	1,018	2,426	310	53	13,694
Occupancy Expense	0	1,810	3,000	30,942	0	92	0	3,886	49,248	0	48,957	15,585	1,826	155,346
Equipment Rent	o	0	0	7,292	0	160	0	1,500	518	0	3,763	1,774	201	15,208
Printing & Publications	0	3,162	1,354	8,068	1,391	1,468	0	1,873	0	2,159	413	450	0	20,338
Travel	0	786	4,925	6,122	12,456	1,130	4,272	268	108	0	5,566	880	2,813	39,626
Program Services	0	0	10,152	0	0	4	0	56,121	15,953	0	0	0	0	82,266
Conferences	0	6,229	12,250	9,310	0	1,964	മ	2,233	0	25	1,499	1,002	2,536	37,057
Interest	0	0	0	0	0	0	0	6,608	0	0	50,294	18,746	1,258	906'92
Insurance	0	1,000	1,290	21,545	0	8,684	0	0	1,250	0	9,730	0	16,607	60,106
Dues & Subscriptions	0	0	0	2,793	0	0	0	988	0	0	1,187	0	0	4,968
Bank Charges	0	0	0	96	0	0	0	0	0	0	420	59	0	545
Advertising	0	20	386	5,270	0	0	1,100	125	0	750	0	136	1,900	9,687
Grants and Assistance	11,969	0	0	1,000	0	0	0	0	0	0	0	0	1,810	14,779
Other Expense	0	175	0	4,766	0	5,800	0	538	120	250	7,733	6,706	453	26,541
Depreciation	0	0	0	6,083	0	0	0	0	0	a	51,784	26,260	4,060	88,187
Total Expenses	25,441	18,016	89,935	241,655	22,713	107,926	24,294	190,115	148,212	24,434	361,624	133,529	58,102	1,445,996

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007

(With Comparative Totals for 2006)

	YEAR ENDED	JUNE 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES: Increase (Decrease) In Net Assets	\$(55,724)	\$200,125
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities: Depreciation		86,349
(Increase) Decrease In Operating Assets: Grants Receivables Tenants Receivable Deposits	(3,777) (10,362) -0-	19,070 -0- 2,079
Increase (Decrease) In Operating Liabilitie Accounts Payable Employee Benefits Accrued Vacations Security Deposits	(1,495) -0- 2,869 1,526	15,650 (7,290) (11,249) 3,875
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,224	308,609
CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of Equipment & Improvements	(51,851)	(102,461)
CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from Loans Repayment of Loans	-0- (68,289)	-0- (89,708)
	(68,289)	(89,708)
NET INCREASES (DECREASE) IN CASH	(98,916)	116,440
CASH AND CASH EQUIVALENTS, Beginning of Year	235,413	118,973
CASH AND CASH EQUIVALENTS, End of Year	136,497	235,413
Interest Expense	76,907	70,035

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Urban Restoration Enhancement Corporation (Organization) is a voluntary health and welfare organization and a Louisiana non-profit corporation, incorporated in 1992 to assist individuals, groups and organizations with resources to empower themselves and make an impact in key focus areas.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has no temporarily or permanently restricted net assets.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has not made any provision for federal income taxes in the income taxes in the accompanying financial statements. In addition, the organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PREPAID

Insurance and similar services which extend over more than one accounting period have been recorded as expense.

NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) ACCOUNTS RECEIVABLE

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

PROPERTY AND EQUIPMENT

The purchase of property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of 5 to 40 years for buildings and improvements and 5-10 years for equipment.

<u>Donated Services.</u> A substantial number of volunteers have donated many hours to U.R.E.C.'s program services and fund-raising campaigns during the year. However, these donated services valued at \$215,489 are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value, \$78,248.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. There was no material donations of material or other assets during the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing Organization's various programs and supporting services have been summarized on a functional basis in the statement of support, revenue and expenses, and changes in fund balances. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMPARATIVE DATA

Comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Clubs' financial position and operations. However, presentation of comparative data by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE #2. CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Urban Restoration Enhancement Corporation maintains several bank accounts at a financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at all of these institutions exceeded Federally insured limits. The amount in excess of the FDIC limited totaled \$61,812 as of June 30, 2007, and is at risk of loss.

NOTE #3. RECEIVABLES

A. Receivables consist of:

Program	Se:	rvice Fees	R	eceivable:	
State	of	Louisiana	-	TANF	\$24,032
State	of	Louisiana	-	CBT	7,052
State	of	Louisiana	-	DSS/OFS	25,196
State	of	Louisiana	-	Labor/SBET	3,016

Tota	al				59,296

NOTE #4. FIXED ASSETS

A summary of Fixed Asset at year-end follows:

144,929 2,807,268
3,124,297
(699,003)
2,425,294

NOTE #5. LEASE OBLIGATIONS

The Organization entered into a lease for corporate office space beginning July 1, 2006, terminating June 30, 2007, for \$900 per month with an option to extend the lease for twelve months.

NOTE #6. NOTES PAYABLE

\$528,751 construction loan payable to the City of Baton Rouge consist of a twenty year deferred mortgage. This loan was initially made as a collateral mortgage loan, which Borrower shall convert to a permanent (term) loan within ninety (90) days following completion of property rehabilitation construction. The note bears zero (0.0%) percent interest. This loan bears no prepayment penalty, nor are loan application fee, origination or discount points charged. Subject to the provision for prepayment of loan principal from net project proceeds, amortization payments of this loan principal shall be deferred for fifteen years from the date of the mortgage. Upon expiration of the 15-year deferral period, Borrower shall make monthly payments each equal to the amount of the mortgage divided by one hundred eighty, until fully paid. Maximum authorized \$535,000. \$528

\$528,751

\$450,000 construction loan payable to the City of Baton Rouge Sixty days following the completion of the rental project but no later than January 1, 2005, the lender shall cause the loan to convert to a permanent (term) loan. The borrower shall pay interest at a the rate of 5%. Lender will allow monthly amortizations payments to be made on the permanent loan on a schedule of: \$4,500 per year for the first five years, \$8,000 per year for the second five years, \$12,000 for the third five years, and \$38,000 for the fourth five years, and the balance in the 240th payment. Maximum authorized \$450,000.

439,500

\$20,000 Installment Lot Loan payable to Hibernia National Bank at 8.1% interest dated September 29, 2004, with monthly payments of \$246, beginning October 2005, ending September 2006.

14,363

\$750,000 construction loan payable to Hibernia National Bank at 6.75% payable monthly. On July 19, 1999, the Organization entered into an agreement to pay \$6,937 per month based on a twenty year amortization due on December 19, 2013.

626,037

NOTE #6. NOTES PAYABLE (Continued)

\$125,000 Line of Credit with Hibernia National Bank at 9.25% interest, all accounts collaterized

66,225

\$221,825 Line of Credit with Chase Bank at 7.95% interest, all accounts collaterized

204,263

Total

1,879,139

The minimum future note payments by year are as follows:

July 01, 2007,	To June	30,	2008	\$87,744
July 01, 2008,	To June	30,	2009	87,744
July 01, 2009,	To June	30,	2010	87,744
July 01, 2010,	To June	30,	2011	87,744
July 01, 2010,	To June	30,	2011	87,744
Thereafter				1,440,419
				
				1,879,139

NOTE #7. LITIGATION, CLAIMS AND CONTINGENCIES

The Corporation has represented to me there is one litigation pending against them, and they are not aware of any unasserted claims. Furthermore, the Corporation believes that any potential lawsuit would be adequately covered by insurance.

No claims or litigation costs were incurred during the current year.

NOTE #8. ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from funds provided through grants administered by the State of Louisiana The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Corporation receives could be reduced significantly and have an adverse impact on its operations.

NOTE #9. FEDERAL GRANT CONTINGENCIES

The Corporation receives a large portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

NOTE 10. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Organization's coverages.

SUPPLEMENTAL INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 1, 2007

To the Board of Directors Urban Restoration Enhancement Corporation Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 2007, and have issued my report thereon dated November 1, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Urban Restoration Enhancement Corporation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiency in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Restoration Enhancement Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u>.

This report is intended for the information of the management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and distribution is not limited.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

URBAN RESTORATION ENHANCEMENT CORPORATION SCHEDULE OF PRIOR YEARS FINDINGS YEAR ENDED JUNE 30, 2007

	FISCAL YEAR FINDING INITIALLY OCCURRED	DESCRIPTION OF FINDING	CORRECTIVE ACTION TAKEN (YES, NO, PARTIALLY)	CORRECTIVE ACTION/PARTIAL CORRECTIVE ACTION TAKEN
1.	6-30-03	Rent Roll Subsidiaries Did Not Agree To General Ledger	Partially	The Rolls Have Minor Differences.

* * * *

URBAN RESTORATION ENHANCEMENT CORPORATION SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

NONE

URBAN RESTORATION ENHANCEMENT CORPORATION CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2007

		CORRECTIVE	NAME OF	ANTICIPATED
REF	DESCRIPTION	ACTION	CONTACT	COMPLETION
NO.	OF FINDING	PLANNED	PERSON	DATE

NOT APPLICABLE